

## ***Handling of Internal Candidates***

By Bruce Dingman

*We were near the end of our meeting with a new client, a private Southern college whose president was retiring after 15 years. "There may be one of two people currently at the university who will be interested in this position," said the board chair. "How will this affect the search?"*

Internal candidates should be welcomed and anticipated, yet they present an interesting dilemma for any search. If you do not have internal candidates, that may be a sign that your organization is not planning and preparing for its future leadership needs. But how do you ensure internal and external executives get the same consideration? And, if an internal candidate is not selected but is still a valuable part of the organization, how do you prevent that person from leaving over disappointment in the outcome of the search?

This is a common predicament faced at one time or another by all leaders and executive recruiters. In 2005, Disney experienced this with their turnover at the top. Bob Iger was quickly identified as the primary internal candidate, and although the board of directors attempted to conduct a diligent and broad search, they ended up with only Iger to truly choose from. External candidates, most notably Meg Whitman of EBay, were disenchanted with the process, feeling that the decision had already been made to hire Mr. Iger as the new CEO.

Obviously, confidentiality is paramount to protecting internal candidates so that they are not embarrassed or hurt by the knowledge that they were not selected. Proper confidentiality also keeps strong outside candidates from withdrawing because of the perception that an internal executive has already been identified, appearing that the search is only a formality.

At the beginning of every search, we encourage our client to invite any executives wanting to be considered for the position to contact us before mentioning their interest to anyone else. If this does not happen promptly, internal candidates may start telling their friends, peers, and superiors of their interest, which can endanger their reputation if they are not selected for the position (or, worse yet, not even considered in the final panel of candidates).

As a third party, we are often able to provide that confidentiality, especially to internal executives interested in pursuing the position. We encourage anyone with interest to talk with us in confidence. We can then discuss with them the requirements for the position, both in terms of abilities and personality, and then encourage the person to "throw their hat in the ring" or to simply back out before anyone but us even knows of their interest.

It is also normal for us to meet with peers and direct reports of the incumbent's position as we familiarize ourselves with the team and the organization. As part of this process, we ask for recommendations. If an internal executive is mentioned by a majority of people, we can ensure that person is considered. If an internal executive raises his hand, yet no one suggested him as a candidate, that conveys the opposite feeling, and it is likely that such an executive will not have the internal respect needed to succeed in the position.

As a side note, one phenomenon we often encounter is the propensity for people to compare themselves to the former executive whose position is being recruited for, instead of comparing themselves to the actual job profile. Internal candidates are often so close to the incumbent that, seeing that person's foibles, they think, "If he was able to do the job, I know that I certainly can!" However,



while the outgoing executive may have had the abilities and personal traits appropriate for the past period, the organization may be in a different stage, and a different set of skills and traits may be needed to move the organization forward. Clearly establishing the position requirements can help an executive in the company understand even before raising his hand that he may not be the right person for the job.

If an executive decides to continue to pursue the opportunity, we can also provide feedback to that executive regarding the strength of their profile in comparison to the outside candidates we have found for the search. If the difference is so great that the internal person has no realistic chance of getting the job over the external candidates, we inform them of that early. Again, this allows them to withdraw without having made their interest public.

Even if the internal executive seems to meet all the basic requirements, they may not be right. Our clients have found great value in using us as a third-party evaluator. Knowing what our client is seeking and the strength of other internal and external candidates, we can confidentially advise internal executives regarding whether they should make their desire for candidacy public.

We commit to internal candidates that if they have what the job requires, we will strongly recommend them forward, and if not, we will tell them why. Sometimes, that means we will say that they are not as appropriate as other candidates are. If they do not want to hear that message, they can blame us rather than our client.

Another benefit to our third-party role is that we may recognize a strong internal candidate who might otherwise have been overlooked. This was the case a few years ago when we were seeking a new general counsel for a national health insurance company. One of their own was being overlooked for the position, primarily because she was not playing politics to get it. When we met with her as part of getting to know the client, her strengths and abilities jumped out at us, and after talking with our client, we suggested she apply. She did, and although there were great outside candidates, she was the best fit, and went on to do a great job with her new responsibilities.

By comparing the internal candidates with a strong panel of outside candidates, the board of directors has the opportunity to build support in the organization for whoever is hired. Stakeholders have added confidence in their new leader when they know that the board chose someone after a lengthy, exhaustive and objective search.

It is hard to know which is worse; having a strong, worthy internal candidate overlooked for an important executive position, or having a valuable internal candidate leave because they were not selected. While neither situation can be absolutely avoided, the danger can be mitigated by the use of some of these principles for handling internal candidates: keep candidacy confidential as appropriate; establish clear requirements for the position; involve a third-party perspective to provide objectivity; and have an open interview process that equally considers internal and external candidates and then selects the best one.

After we explained our process and how it considers and treats internal and external candidates in a discreet and fair manner, the board chair, with a broad smile and a look of understanding, shared that our emphasis on preserving the loyalty and integrity of internal candidates was worth our fee. Indeed, after the search was complete and the new president (an external candidate) was in place, the two internal candidates for the search remained and are still a valuable part of the college's leadership team.